

MINUTES



To: Board Members
From: Skoglund (x462)
Subject: Minutes of September 24, 2012 Joint Board Meeting
Date: September 27, 2012
cc: Sutay

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Boards' deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topics: Revenue Recognition: Constraining the cumulative amount of revenue recognized, collectibility, and contracts with customers that contain nonrecourse, seller-based financing

Basis for Discussion: FASB Memorandums 162A/7A, 162B/7B, 162C/7C, 162D/7D, and 162E/7E

Length of Discussion: 10:32 a.m. to 1:21 p.m. EDT

Attendance:

Board members present: **FASB:** Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, and Smith
IASB: Hoogervorst, Mackintosh, Cooper, Danjou, Edelmann, Engström, Finnegan, Gomes, Kalavacherla, McConnell, Ochi, Pacter, Scott, Suh, and Zhang

Board members absent: None

Staff in charge of topic: **FASB:** Bauer, Schilb, Skoglund, Harris, and North
IASB: Brady, Berchowicz, McManus, Dara

Other staff at Board table: **FASB:** Hood, Gagnon, Proestakes, Cosper, and Hegg
IASB: Rees, Lloyd, and Eastman

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a final standard. The Boards' technical plan calls for that document to be issued early 2013.

Summary of Decisions Reached:

The IASB and the FASB discussed the following topics as they continued their redeliberations on the revised Exposure Draft, *Revenue from Contracts with Customers* (2011 ED):

1. Constraining the cumulative amount of revenue recognized
2. Collectibility, including accounting for contracts with customers that contain nonrecourse, seller-based financing.

Constraining the Cumulative Amount of Revenue Recognized

The Boards tentatively decided that, consistent with the proposal in the 2011 ED, an entity should evaluate whether to constrain the cumulative amount of revenue recognized if the amount of consideration to which an entity expects to be entitled is variable. Paragraph 53 of the 2011 ED identified examples of variable consideration. The Boards tentatively decided to clarify the meaning of variable consideration to indicate that the constraint should apply to a fixed price contract in which there is uncertainty about whether the entity would be entitled to that consideration after satisfying the related performance obligation.

Additionally, the Boards discussed the application of the constraint in the revenue proposals and asked the staff to perform further analysis and bring the topic back to a future meeting.

Collectibility

The Boards tentatively decided to:

1. Not reestablish a collectibility recognition threshold for contracts with customers that contain nonrecourse, seller-based financing
2. Provide additional guidance in the standard on determining whether a contract with a customer exists based on the customer's commitment to perform its obligations under the contract.

The Boards also discussed whether the revenue standard should have a collectibility recognition threshold for all other contracts with customers. IASB members expressed support for not including a collectability recognition threshold. The FASB will decide on that issue together with the issues relating to the presentation of revenue and impairment losses arising from contracts with customers. On those issues relating to the presentation of revenue and impairment losses, the Boards requested that the staff prepare illustrative examples of presentation alternatives for further discussion at the joint Board meeting on Thursday, September 27, 2012.

Next Steps

The Boards expect to continue redeliberations in October 2012.

General Announcements: None